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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV 21 2013

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
SANDARIO WATER COMPANY, INC. FOR A
PERMANENT RATE INCREASE.

DOCKET NO. W-01831A-12-0392

IN THE MATTER OF THE APPLICATION OF
SANDARIO WATER COMPANY, INC. FOR
AUTHORITY TO INCUR LONG-TERM DEBT.

DOCKET NO. W-01831A-12-0467

PROCEDURAL ORDER

BY THE COMMISSION:

On August 31, 2012, Sandario Water Company, Inc. ("Sandario" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a permanent rate increase ("Rate Application").

On November 14, 2012, Sandario filed an application for authority to incur long-term debt ("Finance Application").

On May 2, 2013, a Procedural Order was docketed consolidating the Rate Application and Finance Application dockets, and setting procedural and filing deadlines. The Procedural Order stated that additional filings could be required if deemed necessary.

Staff submitted a Revised Staff Report for the consolidated matters on May 24, 2013.

On June 10, 2013, Sandario filed its Response to the Revised Staff Report ("Response"), objecting to certain Staff recommendations.

On June 14, 2013, a Procedural Order was issued directing Staff to file a reply to the Company's Response no later than July 8, 2013, addressing the issues raised by the Company.

Staff filed its Reply on July 8, 2013, and Sandario docketed its Surreply to the Revised Staff Report commenting on the conclusions and recommendations stated in Staff's Reply.

Pursuant to a Procedural Order docketed July 30, 2013, a Procedural Conference was held on

1 August 7, 2013, to address the parties' concerns and to discuss whether a hearing on the Application
2 was needed. The parties stated they did not wish to have a hearing, but they agreed to meet and
3 discuss a possible resolution of the disputed issues. The parties indicated that after the meeting, they
4 would docket a notice stating which issues remained unresolved, if any, and submit their respective
5 final schedules.

6 On September 16, 2013, Sandario docketed a Notice of Partial Settlement, outlining the issues
7 that the Company and Staff had resolved and explaining the remaining disputes.

8 Staff submitted its Final Schedules on September 18, 2013, and on October 29, 2013, the
9 Company docketed its Statement Re: Impact of Partial Settlement on Positions in Rate Case.

10 After review of the record in this matter, additional information is necessary to clarify certain
11 issues and concerns.

12 IT IS THEREFORE ORDERED that Staff shall provide updated Final Schedules and any
13 supporting information no later than **December 11, 2013**, addressing the following:

- 14 • CIAC and CIAC AMORTIZATION: Final Schedules BCA – 2 and BCA – 3: Staff
15 shall provide schedules supporting its recommended gross CIAC balance with a
16 detailed calculation of the annual accumulated CIAC amortization balance showing the
17 amortization rate(s) applied to all accounts by year. Staff shall provide detailed
18 calculations of the fully amortized CIAC shown on BCA – 3, page 3, line 36, and
19 discuss whether the fully amortized CIAC should be retired or, if not, how the fully
20 amortized CIAC balance will ultimately be disposed.
- 21 • AIAC: Final Schedules BCA – 2 and BCA – 8: Staff's cash flow analyses should
22 reflect AIAC refunds, or explain why Staff believes this is not appropriate.
- 23 • INCOME TAX CALCULATIONS: Final Schedule BCA – 1 lists total operating
24 revenues of \$209,221, but Final Schedule BCA – 9, line 1, lists revenue of \$202,530.
25 Staff shall explain how it arrived at \$202,530 used in its income tax calculations or, if
26 the \$202,350 amount is incorrect, Staff shall prepare a corrected schedule showing its
27 full income tax calculations (including citations to the statutory or regulatory sources
28 supporting them, e.g., ADOR and IRS tax tables), and revise any other schedules to
reflect the flow-through of the income tax calculations.
- PROPERTY TAX CALCULATIONS: Final Schedule BCA – 3, page 5 of 5, line 13:
Staff shall explain the use of a 22.5 percent Assessment Ratio instead of the 19 percent
ratio adopted in other recent Staff Reports (including citations to the statutory or
regulatory sources supporting them, e.g., ADOR and IRS tax tables). Additionally,
Staff shall provide detailed property tax calculations reflecting: (1) Staff as Adjusted,
(2) Staff Recommended without WIFA Surcharge, and (3) Staff Recommended with
WIFA Surcharge.

- FINANCIAL ANALYSIS: Final Schedule BCA – 8: DSC calculation line 40—Staff’s DSC calculations do not include the depreciation expense from line 23. Additionally, line 25, column B, does not reflect Staff’s adjustment to property taxes.
- WIFA SURCHARGE, DSRF AND INCREMENTAL COSTS: Staff shall state whether it continues to recommend that the DSRF should not be included in the WIFA Surcharge. Regardless of Staff’s final recommendation on the DSRF, Staff shall provide additional financial analysis/cost flow schedules demonstrating the impact of the WIFA Surcharge with the DSRF included. Staff shall provide a breakout of the incremental property and income taxes related to the WIFA Surcharge with and without provision for the DSRF. Additionally, Staff shall provide a recommendation as to whether, if they are authorized, the amounts related to DSRF included in a WIFA Surcharge should be treated as revenues or a regulatory liability. (Also see issues regarding income and property taxes, above.)
- Staff shall update all other Final Schedules as necessary to reflect any corrections and the flow-through of revisions.

IT IS FURTHER ORDERED that Sandario shall file any **comments to Staff’s Reply no later than January 8, 2014**. In its comments, Sandario Water Company should also provide the following clarification:

- Sandario Water Company’s January 14, 2013, Response to the January 4, 2013, Staff Report filed in the Rate Application docket, Schedule SSR – 9, reflects the Company’s adoption of Staff’s proposed Monthly Usage Charges. However, in Sandario’s Statement Re: Impact of Partial Settlement on Positions in Rate Case, the chart on page 2 regarding the addition of \$1.59 to the Monthly Usage Charges reflects an addition to the charges proposed in the Company’s original Rate Application. Sandario Water Company shall clarify whether it still accepts Staff’s recommended Monthly Usage Charges.
- Sandario Water Company shall update any schedules necessary to reflect its final positions, specifically including Exhibit 5 to its Finance Application relating to its calculation of the WIFA Surcharge.

IT IS FURTHER ORDERED that the *Ex Parte* Rule (A.A.C. R14-3-113 - Unauthorized Communications) applies to this proceeding and shall remain in effect until the Commission’s Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro hac vice*.

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1 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend, or
2 waive any portion of this Procedural Order by subsequent Procedural Order or by ruling at hearing.

3 DATED this 19th day of November, 2013.

4 
5 BELINDA A. MARTIN
6 ADMINISTRATIVE LAW JUDGE

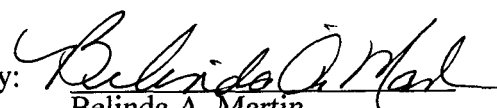
7 Copies of the foregoing mailed/delivered
8 this 19th day of November, 2013, to:

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28 By: 
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